

## LD 1 Report Shows that Tax Burden Reduction Requires Vigilance

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AUGUSTA – In an annual report released today, the Maine State Planning Office found that, in the three years since LD 1 was enacted, the State has stayed within its appropriations limit and dedicated more resources toward K-12 education.

In addition, the total tax burden on Maine residents has fallen to 11.14%, the lowest tax burden calculated by Maine Revenue Services in seven years.

At the same time, most School Administrative Units have not met spending benchmarks and have not passed on the full savings available to local property taxpayers.

The growth in county assessments has also accelerated, primarily to fund new jail projects.

The law called, "LD 1," was the result of a citizens' referendum requiring the state to contribute 55 percent of local education costs and an ongoing effort to reduce taxes and lower Maine's state and local tax burden toward the national average. The law requires an annual progress report, which is conducted by the State Planning Office.

Today's report shows that for the third year in a row the growth rate of property taxes was lower than before LD 1 went into effect. However, the reduction in the growth of property taxes was less dramatic than before.

While the State and a majority of municipal and county governments stayed within their LD 1 limits, fully 82 percent of School Administrative Units exceeded their spending benchmarks. Collectively, their spending was \$132 million above targeted levels. Compared to last year, both the percentage of SAUs exceeding their limit and the amount they are over has increased.

The trend of school units exceeding their LD 1 spending caps is accelerating. The first report of LD 1's impact showed 69 percent of school units exceeded their spending limit. In two years, that figure has grown to 82 percent.

Martha Freeman, State Planning Office Director, pointed to this trend as further evidence of the need to change school administration in Maine.

"Increasing the state's share of funding for local education provided the means to relieve property tax burdens. This year's LD 1 report shows again that the relief available is not making it to the taxpayer. We must achieve school administrative efficiencies to ensure property tax relief and investment in classroom education," said Freeman.

At the county level, several new jail projects pushed the growth of county assessments higher than pre-LD 1 levels. "Clearly we must find a more efficient and effective way to manage our corrections system," said Freeman. "All levels of government must do their part to help reduce the tax burden on Maine people."

For more information about the LD 1 report, please visit:  
<http://www.state.me.us/spo/economics/ld1/index.htm>